


File



ANNUAL REPORT 1964 **PENMANS LIMITED**



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Penm0689_1964

PENMANS

DIRECTORS

J. F. BAILLIE
HON. GEORGE B. FOSTER, Q. C.
G. B. GORDON
GEO. W. GRIER
B. K. GUNN
L. P. ROBERTON

OFFICERS

G. B. GORDON, President
L. P. ROBERTON, Vice-President and
Secretary-Treasurer
E. G. JAMES, General Manager

HEAD OFFICE

PARIS, Ontario

STOCK TRANSFER AGENT

THE ROYAL TRUST CO.
Montreal and Toronto

ANNUAL MEETING

APRIL 12, 1965

OPERATING MILLS AT

PARIS, Ont.
BRANTFORD, Ont.
LONDON, Ont.
WATERFORD, Ont.
COATICOOK, Que.
ST. HYACINTHE, Que.

THE DIRECTORS' REPORT

Your Directors submit herewith the fifty-ninth annual report of your Company together with the consolidated balance sheet and the statements of consolidated profit and loss and earnings retained for use in the business for the year ended December 31, 1964, and the report of the auditors, Peat, Marwick, Mitchell & Co.

The net profit for the year was \$430,958 as compared to \$328,821 for the previous year, equal to \$1.89 per common share, as against \$1.36 in 1963, after providing regular quarterly dividends totaling \$6.00 per share on the preferred shares for both years. Quarterly dividends of 45¢ were paid on the common shares, making a total of \$1.80 per share, which is the same as for the previous fiscal year. Depreciation was provided at the normal maximum rate allowed under the Income Tax Act, but extra allowances will be claimed for tax purposes.

The value of sales just surpassed those of the previous year. The improving trend in profits indicates a more profitable sales mix in our lines. An acute shortage of labour, particularly male labour, has developed in the Paris-Brantford area, which has created some production problems. Our business today is mostly on an "at once" basis. We must have substantial stocks of finished goods available, and with labour shortages we are required to make them when we can. These are the reasons for carrying a higher inventory at the present time. New product lines continue to be developed, and strenuous efforts are being made to improve sales.

In the month of December a new Company was incorporated as a wholly owned subsidiary, and was given the name of Penmans Industrial Knit Ltd. This Company will manufacture in Paris knitted backing cloth to be sold to coaters, who in turn supply the automobile and furniture upholstery trades. This knitted cloth will be available in heavier roll weights than presently produced in Canada. The new Company will enjoy certain initial tax advantages, as until recently the Paris-Brantford district was in a so-called "designated area" and assurance has been given that the business as proposed would meet the conditions of Section 71A of the Income Tax Act for a new manufacturing or processing business.

A Pension Plan for the Salaried Employees of the Company, which had been under consideration for some time, was established during the year, and securities to the value of approximately half of the past service cost in the amount of \$382,390 were transferred to the Trustee from the investment portfolio of the Company.

TO THE SHAREHOLDERS

MONTREAL, March 3, 1965.

The net working capital stands at \$7,128,559, a decrease for the year of \$271,072.

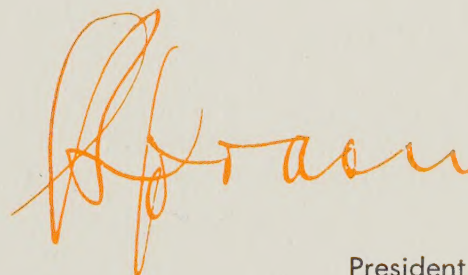
Expenditures on capital account during the year amounted to \$301,055, and it is estimated that capital expenditures for 1965 will be about the same as for the past year.

Funded debt was further reduced during the period under review by \$45,000.

The most important event in the year, and probably in the history of the Company, was the offer made to the holders of our common stock on December 23, 1964, of \$45.00 per share by the Dominion Textile Company Limited. In all the circumstances known to your Directors, the offer was considered a fair one, and was given their support. In these days of take-overs and mergers, it has been recognized for some years that it would be difficult for this Company to remain entirely independent. Apart from the fairness of the offer, your Directors also felt that the interest of the Company's personnel, the communities in which our mills are located, and the policies for which this Company has always stood, would continue to be served by the new owners. At the time of writing, and apart from the number of shares of common stock held by the Dominion Textile Company Limited when their offer was made, they presently hold in excess of 95% of the remaining shares outstanding. Textile in their offer signified their intention that, in the event of the offer being accepted by holders of not less than 90% of the outstanding common shares affected, they would take advantage of the provisions of Section 128 of the Companies Act, which empowers them to acquire the remaining common shares still outstanding when the offer expires on April 30, 1965.

To all our employees your Directors wish to extend their warm appreciation of their sustained efforts on behalf of the Company throughout the past year.

Respectfully submitted on behalf of the Board of Directors.

A handwritten signature in orange ink, appearing to read "R. J. Brown", is written in a cursive style.

President.

CONSOLIDATED

ASSETS

December
With comparative

Current assets :

	1964	1963
Cash	\$ 53,413	56,832
Accounts receivable	1,796,949	1,735,984
Deposits on purchases	117,220	57,639
Income taxes refundable	86,519	—
Marketable securities, at cost less reserve (approximate market value, 1964 — \$4,393,000; 1963 — \$4,290,000)	2,798,412	3,182,122
Inventories of raw materials, work in process and finished goods, at the lower of cost or market , less fixed reserve	3,801,568	3,232,112
Prepaid expenses	51,045	47,787
Total current assets	8,705,126	8,312,476

Other assets :

Cash on deposit with trustee and investments in company's bonds, at cost (held for redemption of First Mortgage Bonds).....	84,508	124,202
--	--------	---------

Fixed assets, at cost :

Buildings	1,927,206	1,910,512
Equipment	6,753,976	6,619,771
	8,681,182	8,530,283
Less accumulated depreciation	7,332,189	7,254,385
	1,348,993	1,275,898
Land	102,333	102,333
	1,451,326	1,378,231
	<u>\$10,240,960</u>	<u>9,814,909</u>

See accompanying notes to

BALANCE SHEET

1, 1964
figures for 1963

LIABILITIES

Current liabilities :

	1964	1963
Bank loan, secured	\$ 687,000	—
Accounts payable and accrued charges.....	630,907	677,846
Income taxes payable	—	2,238
Other taxes payable	155,594	129,537
Dividends payable	103,066	103,224
Total current liabilities	1,576,567	912,845

Funded debt :

3¼% First Mortgage Bonds, Series "A", due October 1, 1966 (Sinking fund payments of \$45,000 are due on June 1, 1965 and 1966).....	1,500,000	1,500,000
Less redeemed and cancelled through sinking fund.....	806,000	761,000
	694,000	739,000

Shareholders' equity :

Capital stock :

6% cumulative redeemable preferred shares, par value \$100. Authorized 15,000 shares; issued 10,750 shares, less 105 shares held for redemption.....	1,064,500	1,075,000
Common shares of no par value. Authorized 225,000 shares; issued 193,554 shares	2,150,600	2,150,600
General reserve	1,000,000	1,000,000
Earnings retained for use in the business.....	3,755,293	3,937,464
	7,970,393	8,163,064
Approved on behalf of the Board:	\$10,240,960	9,814,909
G. B. GORDON, Director		
L. P. ROBERTON, Director		

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

Year ended December 31, 1964
with comparative figures for 1963

	1964	1963
Operating profit for the year before depreciation.....\$	750,915	607,416
Depreciation	219,869	219,627
	<u>531,046</u>	<u>387,789</u>
Other income :		
Income from investments	159,930	152,680
Gain on sale of fixed assets.....	13,661	—
	<u>173,591</u>	<u>152,680</u>
	704,637	540,469
Bond interest	19,479	19,548
	<u>685,158</u>	<u>520,921</u>
Net profit before provision for income taxes.....	254,200	192,100
Provision for income taxes (note 1).....		
	<u>430,958</u>	<u>328,821</u>
Net profit for the year.....\$		

The above statement includes charges for remuneration of executive directors and officers, \$47,350, directors' fees, \$6,000 and legal fees, \$12,394 in respect of 1964.

STATEMENT OF CONSOLIDATED EARNINGS RETAINED FOR USE IN THE BUSINESS

Year ended December 31, 1964
with comparative figures for 1963

Earnings retained for use in the business at beginning of year.....\$	3,937,464	4,021,540
Add net profit for the year.....	430,958	328,821
	<u>4,368,422</u>	<u>4,350,361</u>
Deduct		
Dividends :		
Preferred shares	64,342	64,500
Common shares	348,397	348,397
	<u>412,739</u>	<u>412,897</u>
Past service pension cost less income tax reduction applicable thereto (notes 1 and 2)	200,390	—
	<u>613,129</u>	<u>412,897</u>
Earnings retained for use in the business at end of year.....\$	<u>3,755,293</u>	<u>3,937,464</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Income taxes are estimated to be \$42,200 after taking into consideration depreciation to be claimed for tax purposes in an amount greater than that recorded and the tax reduction arising from the payment of past service pension cost credited to earnings retained for use in the business. The approximate tax reductions because of these items are \$30,000 and \$182,000, respectively, all applicable to the current year.
- The unfunded liability for past service pension cost at December 31, 1964 amounted to approximately \$340,000. It is expected that this will be paid in the year ended December 31, 1965.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1964

Funds provided :

From operations :

Net profit	\$ 430,958
Depreciation charges not requiring a cash expenditure.....	219,869

Funds provided from operations..... 650,827

Proceeds from sale of fixed assets..... 8,091

Total funds provided..... 658,918

Used as follows:

Dividends on preferred and common shares.....	\$ 412,739	
Purchase of fixed assets.....	301,055	
Purchase for redemption of 6% cumulative redeemable preferred shares	10,500	
Redemption of 3¼% First Mortgage Bonds, Series "A".....	\$ 45,000	
Less decrease in cash on deposit with trustees and investments in company bonds.....	39,694	5,306
Contribution for past service pension cost less income tax reduction applicable thereto	200,390	929,990
Decrease in working capital.....		\$ 271,072

Working capital changes :

	1964	1963	Increase (Decrease)
Current assets	\$ 8,705,126	8,312,476	392,650
Current liabilities	1,576,567	912,845	663,722
	\$ 7,128,559	7,399,631	(271,072)

AUDITORS REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Penmans Limited and Subsidiaries as of December 31, 1964 and the related statements of profit and loss and earnings retained for use in the business for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related statements of profit and loss and earnings retained for use in the business are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies at December 31, 1964 and the results of their operations for the year ended on that date, on a consolidated basis, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

Hamilton, Ontario,
March 3, 1965.

Peat, Marwick, Mitchell & Co.
Chartered Accountants.



"THE SECRET IS STAYING IN SHAPE..."

...advised the challenger.

"I'm impressed," admitted the intrepid reporter, gazing with awe at K.O. Kelly's extra large T-shirt. "So big—yet so perfectly proportioned!"

"Clean living!" bellowed the challenger modestly. "I don't smoke, drink or stay out late. And I..."

"Not you—this Watson's T-shirt!" the scribe interrupted. "Magnificent!"

"...and I wash my T-shirts twice a week, whether they need it or not," said Kelly, rolling with the punch and recovering beauti-

fully. "What's a few rounds in the washer to a Watson's shirt?"

"W-a-t-s-o-n-s," mumbled the reporter, writing furiously. "Say—just look at that neat neck and those snug arms. Like new—fit for a champion!"

"Right!" beamed the fighter. "And Watson's wear longer, for savings in the long run!"

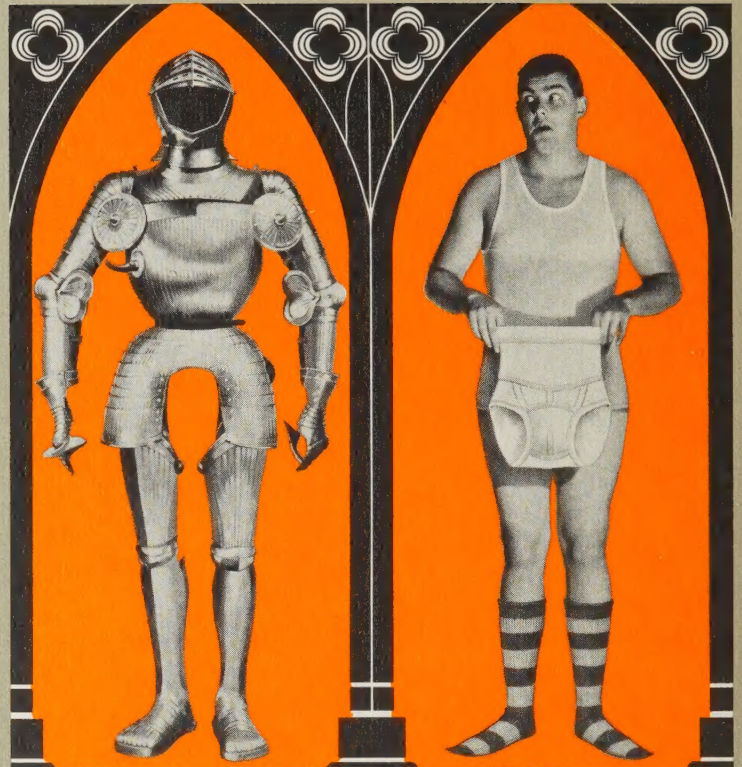
"Speaking of the long run," queried the reporter, "how long have you been fighting?"

"About two and a half rounds, on the average," Kelly confided.

Watson's

Tailoring fine underwear for the whole family at Brantford, Ontario

W2-64



The Knight almost called it a day

"I fear that armour no longer suits me," said Sir Cumference expansively.

"Do not despair, Sir," advised the Royal Armourer. "We'll have you jousting again before you know it. Just a small adjustment about the middle..."

"Never!" cried the Knight in alarm. "What self-respecting dragon would do battle with a pot-bellied stove?"

"Relax, Knight," laughed the armourer. "We won't lay a finger on the tin suit. We'll remodel you, with

the newest idea in men's underwear. Here—slip into these Slimmers!"

"Slimmers? By Jove..." exclaimed the Knight.

"Slimmers—by Watson's!" corrected the armourer. "They'll tidy your tummy and make a new man of you. You'll feel like a King... or at least an Earl!"

"Zounds!" chortled the delighted Knight. "Egad... Eureka!"

"That's about the size of it," the armourer agreed.

Watson's

SLIMMERS—RIGHT FOR ANY KNIGHT (OR DAY)

Tailoring fine underwear for the whole family at Brantford, Ontario

W3-64

Watson's



What sort of man wears Penmans?

... the successful young man about town who sets the pace for business and pleasure. He knows what he likes and so he wears Penmans' Briefs and Tops. They're comfortable—very comfortable.

Take Briefs—Penmans have mastered the tricky business of tailoring fit with a comfortable margin—at strategic places. Penmans' Briefs are reinforced—where they should be ... cut generously—where they should be. Penmans' Tops also go the same comfortable route.

This sort of man—the man who leads and likes comfort is always relaxed in Penmans.

Penmans

BRIEFS AND TOPS
for the man who knows comfort and style

PSP-64



What sort of man or woman wears Penmans?

... the guy or gal who likes to be grand-prix casual in a "Kandahar"® "Mock Turtle" pullover.

Our gal likes the "Mock Turtle" because, with a zipper, her hair doesn't get mussed.

Our guy likes the "Mock Turtle" because, with a zipper, he can show off his new ascot or wear his shirt in the traditional turtle style.

That's not to say we've forgot-

ten the real traditionalists.

They can still enjoy a drive to the club in a real, over-the-head, roll-down, zipperless, turtle-neck.

A "Kandahar"® Grand Prix shirt always fits well—collar and cuffs never stretch out of shape because they're reinforced with miracle "Lycra"™ fibre.

Once you wear a "Kandahar"® Grand Prix shirt—with or without zipper, you're a sport for life.

Penmans

"Kandahar"® Grand Prix by Penmans
for the man (or woman) who knows comfort and style

*Registered Trade Mark, Du Pont of Canada Limited

PSP-64

Penmans

